

## ***Mitsubishi Materials Corporation revised upward its full year earnings forecast due to an increase in demand for automobile and semiconductors related products in addition to a hike in metal prices.***

Nobuhiro Takayanagi (hereinafter referred to as “Takayanagi”): Hello, I am Takayanagi, Managing Executive Officer. Thank you very much for taking time to attend our financial results briefing for the first quarter ended June 30, 2021. I would like to present an overview of the financial results and forecast for the fiscal year ending March 31, 2022 (hereinafter referred to as “FY2022”)

## **Comparison with the Previous Year Result (Consolidated Statements of Operations)**

### **Comparison with the Previous Year Result (Consolidated Statements of Operations)**

[Unit: billion yen]

	FY2021 1Q Result (a)	FY2022 1Q Result (b)	Difference (b)-(a)	Reason *
Net sales	344.3	427.6	83.3	AP+35.7, MS+5.4, Metals+79.3, Cement-0.7, etc.
Operating profit	2.5	14.8	12.3	AP+3.4, MS+3.3, Metals+5.5, Cement-0.0, etc.
Net interest and dividend income	1.4	8.8	7.4	Dividend income+7.7, etc.
Share of profit (loss) of entities accounted for using equity method	-0.1	1.6	1.8	Copper mine+1.7, etc.
Other / Non-operating profit / loss	-0.6	-0.2	0.4	
Ordinary profit	3.1	25.1	22.0	
Extraordinary income / loss	1.4	1.0	-0.4	
Income taxes	-3.2	-5.6	-2.3	
Profit attributable to non-controlling interests	-0.8	-3.5	-2.7	
Profit attributable to owners of parent	0.4	16.9	16.4	
Exchange rate (USD)	108	109	2	JPY / \$
Exchange rate (EUR)	118	132	13	JPY / €
Copper price (LME)	242	440	198	¢ / lb

\*AP: Advanced Products  
MS: Metalworking Solutions

Please refer to the year-on-year comparison of results on page 5 of your handout. Net sales increased due to a hike in metal prices, steady demand for automobile related products in the Advanced Products Business and Metalworking Solutions Business, and steady demand for semiconductors related products in the Advanced Products Business.

On the other hand, we also had negative factors such as a decrease in domestic demand for cement, and unfortunately, we had a decrease in sales of ready-mixed concrete in the U.S. due to the shortage of drivers.

As a result, compared to the same period of the previous fiscal year when sales decreased significantly due to the impact of COVID-19, net sales increased by 83.3 billion yen to 427.6 billion yen. Regarding profits, I will explain later with a waterfall graph on page 7.

## Comparison with the Previous Year Result (Statistics)

### Comparison with the Previous Year Result (Statistics)

#### ■ Statistics

		FY2021 1Q Result (a)	FY2022 1Q Result (b)	Difference (b-a)
Sales volumes of copper & copper alloy products	(thousand tons)	27	34	7
Sales volumes of copper cathodes (in-house product)	(thousand tons)	77	72	-5
Sales volumes of copper cathodes (PTS)	(thousand tons)	69	66	-3
Dividend from copper mine	(billion yen)	0.9	9.4	8.4
Total demand for cement in Japan	(million tons)	9.40	9.22	-0.17
Cement sales volumes for MMC-Domestic	(million tons)	1.47	1.37	-0.11
Cement sales volumes for MMC-Exports	(million tons)	0.41	0.58	0.17
Cement sales volumes in the U.S.	(million tons)	0.41	0.37	-0.04
Ready-mixed concrete sales volumes in the U.S.	(million cy)	2.21	2.02	-0.19
Sales volumes of aluminum sheet products	(thousand tons)	24	27	3
Sales volumes of aluminum extrusion products	(thousand tons)	3	3	1

Page 6 illustrates the statistics.

Sales volume of the copper & copper alloy products increased, mainly for automobile applications.

Sales volume of the electrolytic copper cathodes (in-house) was affected by a decline in production of anodes due to furnace repairs at the Naoshima Smelter & Refinery during February to March in the previous fiscal year. In addition, the production volume of the Onahama Smelting and Refining Co., Ltd. continues to be affected by a production cutback due to the equipment failure at a company providing oxygen that occurred in January 2021.

As for PT. Smelting, the sales volume of copper cathodes was down year on year, as shown in the slide, due to a slight decline in the grade of copper in the ore.

Regarding the mine dividend, a portion of the dividend income from the Los Pelambres copper mine, which was expected to be recorded in the second half of FY2022, was brought forward to the first quarter. I would like to talk about this later, as the Company expects an increase for the full year.

Now, let me explain the total domestic demand for cement. Unfortunately, the demand has declined compared to the same period of the previous year, when the impact of COVID-19 started to appear. The domestic sales volume for the cement has been declining.

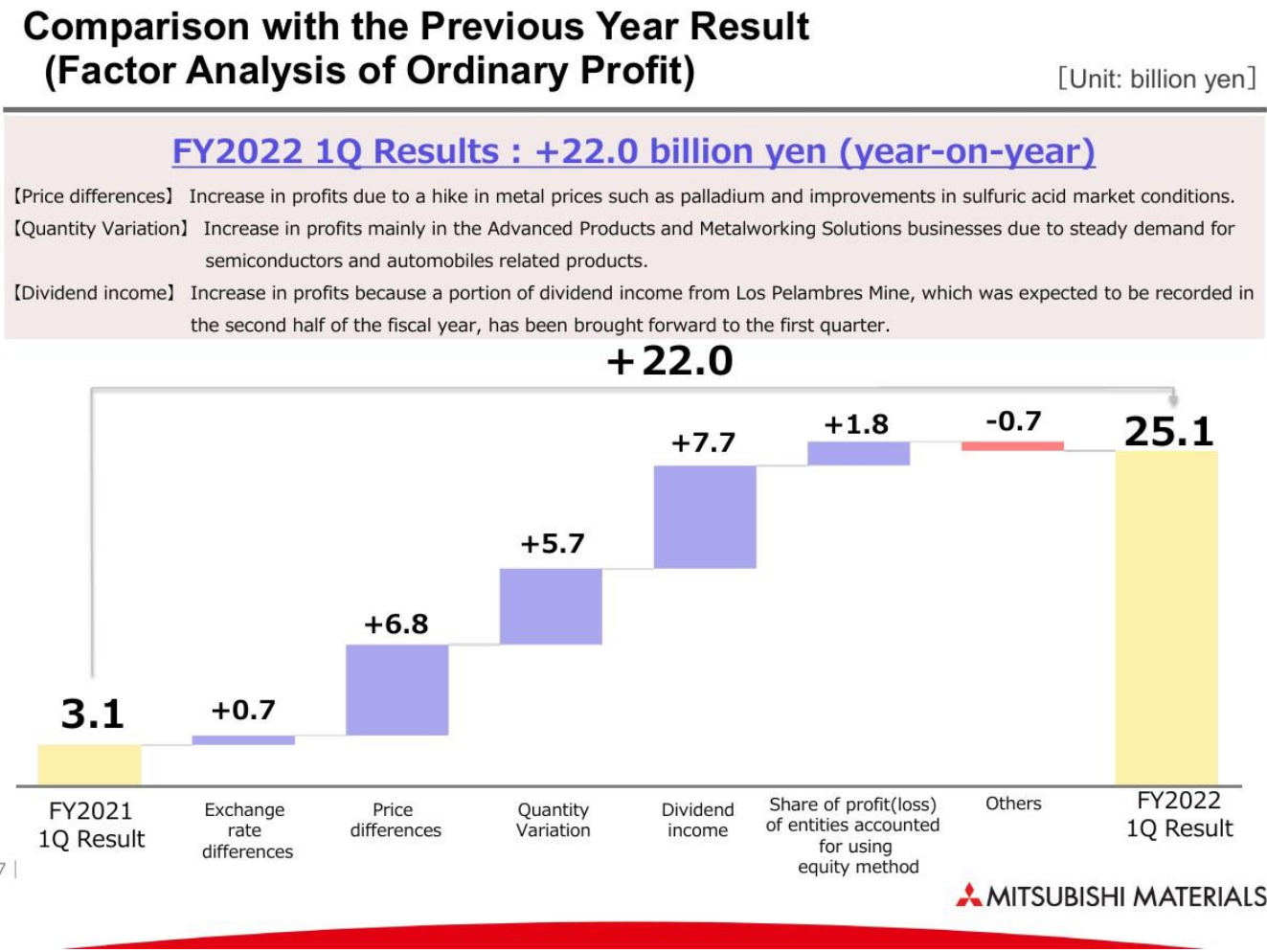
On the other hand, whereas the Company saw decreases in demand in major regions last year, sales volume for exports has increased in the first quarter of FY2022 thanks to the normalized exports to major regions.

As mentioned earlier, in terms of sales volume of the ready-mix concrete in the U.S., sales volume of Robertson's Ready Mix, Ltd. has declined due to a driver shortage caused by tight supply and demand of labor market in the U.S. This was partly due to the fact that the company had been refraining from hiring new mixer drivers slightly since the second half of the previous fiscal year, partially because it was a period of low demand.

Cement sales volume in the U.S. decreased due to the decline of the volume of cement taken in from our main buyer, Robertson Ready Mix, Ltd because it affected by those factors.

Sales volume of the aluminum extruded products increased, mainly for automobile products.

Comparison with the Previous Year Result (Factor Analysis of Ordinary Profit)



Please refer to page 7. The waterfall graph illustrates the change in ordinary profit. As shown in the bar graph on the slide, ordinary profit for the first quarter of FY2022 is 25.1 billion yen, increased by 22.0 billion yen year-on-year from 3.1 billion yen.

Main factor included in the Price difference is strong prices in the palladium and other metals in the Metals Business, which I have mentioned earlier.

The main factor included in the Quantity variation is an increase in sales volume in the Advanced Products and the Metalworking Solutions Business. And as for the Dividend income, a portion of dividend income from Los Pelambres Mine, which was expected to be recorded in the second half of the fiscal year, has been brought forward to the first quarter.

As for the Share of profit (loss) of entities accounted for using equity method, this figure is due to improved earnings at the Copper Mountain Mine, resulting from a hike in copper price, etc.

## Comparison with the Previous Year Result (Factor Analysis by Segment )

### Comparison with the Previous Year Result (Factor Analysis by Segment)

[Unit: billion yen]

		FY2021 1Q Results (a)	FY2022 1Q Results (b)	Difference (b-a)	Exchange rate difference	Price difference	Quantity variation	Revenue recognition*	Dividend income	Share of profit (loss) of entities accounted for using equity method	Other
Advanced Products	Net sales	79.9	115.7	35.7	0.5	23.6	17.3	-5.7	—	—	—
	Operating profit	-0.1	3.2	3.4	-0.0	0.5	3.1	—	—	—	-0.2
	Ordinary profit	-0.7	4.2	4.9					-0.0	0.7	0.6
	Net sales	50.5	86.5	35.9	0.2	23.6	12.1	0.0	—	—	—
	Operating profit	-0.7	0.9	1.7	-0.0	0.2	1.6	—	—	—	-0.1
	Ordinary profit	-1.7	1.7	3.5					-0.0	0.6	1.1
	Net sales	29.6	29.5	-0.0	0.3	0.1	5.3	-5.7	—	—	—
	Operating profit	0.6	2.2	1.6	0.0	0.3	1.4	—	—	—	-0.1
	Ordinary profit	1.1	2.5	1.3					0.0	0.0	-0.4
Metalworking Solutions	Net sales	27.9	33.4	5.4	1.2	0.0	7.4	0.0	—	—	-3.2
	Operating profit	-1.2	2.1	3.3	0.6	0.3	4.2	—	—	—	-1.8
	Ordinary profit	-1.3	2.1	3.5					-0.0	—	-1.6
Metals	Net sales	157.8	237.1	79.3	-0.2	83.6	-4.1	0.0	—	—	—
	Operating profit	1.5	7.1	5.5	0.1	4.7	-1.5	—	—	—	2.2
	Ordinary profit	1.6	16.6	14.9					8.4	1.7	1.5
Cement	Net sales	51.2	50.4	-0.7	0.4	1.7	-0.8	-2.0	—	—	—
	Operating profit	1.9	1.9	-0.0	-0.0	0.8	-0.6	—	—	—	-0.2
	Ordinary profit	2.5	1.9	-0.6					-0.0	-0.4	-0.4
Environment & Energy	Net sales	4.6	5.5	0.9	0.0	-0.0	0.9	0.0	—	—	0.0
	Operating profit	-0.0	0.2	0.3	0.0	-0.0	0.3	—	—	—	0.0
	Ordinary profit	0.2	0.5	0.3					-0.0	0.0	0.0
Others	Net sales	61.9	59.2	-2.7	0.4	0.8	0.6	-3.2	—	—	-1.3
	Operating profit	0.8	1.7	0.9	0.0	0.5	0.3	—	—	—	0.1
	Ordinary profit	0.7	1.5	0.7					-0.0	-0.1	0.0
	Net sales	31.7	30.4	-1.3	0.0	0.9	1.0	-2.0	—	—	-1.2
	Operating profit	0.5	2.1	1.5	-0.0	0.5	0.6	—	—	—	0.4
	Ordinary profit	0.4	1.8	1.3					-0.0	-0.1	0.3
Elimination, etc.	Net sales	-39.2	-73.8	-34.6	0.0	-25.8	-15.6	6.8	—	—	—
	Operating profit	-0.3	-1.6	-1.2	0.0	0.0	-0.2	—	—	—	-1.0
	Ordinary profit	-0.0	-1.9	-1.9					-0.6	-0.0	-1.1
Total	Net sales	344.3	427.6	83.3	2.2	84.1	5.6	-4.1	—	—	-4.5
	Operating profit	2.5	14.8	12.3	0.7	6.8	5.7	—	—	—	-0.9
	Ordinary profit	3.1	25.1	22.0					7.7	1.8	-0.7

\*"Revenue recognition" here shows an approximate effect on the Mitsubishi Materials Group due to the change of revenue recognition accounting policy applied from FY2022.

Now, let me explain the breakdown of factors by business segment. Let me start with the Advanced Products Business. Regarding the Copper & copper alloy in the Advanced Products Business, the operating results turned from loss to profitable due to the increase in the sales of automobile related products. In addition, the Electronic materials & components business recorded an increase in profits due to higher sales in products for the automobile and semiconductors industries.

Also, the Metalworking Solutions Business recorded an increase in profits mainly due to a recovery in demand from major automobile manufacturers in both domestic and major overseas countries.

And, regarding other, the Company transferred the Sintered parts business in December 2020, which had been recording operating losses on a continuous basis, resulting in a decrease in net sales but an improvement in operating profit.

On the other hand, despite the rapid rise in demand and improvement in margin, the acceleration of inventory stock-out of the high book value in FY2021 had a slight negative impact.

Now, let's proceed to the Metals Business. The increase in profit was due to a hike in metal prices, improved sulfuric acid prices, and an increase in dividends from copper mines.

Operating income in the Cement Business was generally unchanged from the previous fiscal year. There has been a decrease in sales volume in both Japan and the U.S., but this has been offset by raising prices or exports.



The Environment & Energy Business recorded an increase in profit, mainly due to an increase in the processing volume of home appliance recycling.

In the Aluminum rolled and extruded products business, in addition to the increased demands for the automobile products, the stable production has also contributed to the profit, resulting in an increase in profit.

## FY2022 Performance Forecast (Statistics/Sensitivity/Assumptions)

### FY2022 Performance Forecast (Statistics / Sensitivity / Assumptions)

■ Statistics		FY2022 Forecast (Previous*)			FY2022 Forecast (This time)			Difference		
		1st Half	2nd Half	Full Year (a)	1st Half	2nd Half	Full Year (b)	1st Half	2nd Half	Full Year (b-a)
Sales volumes of copper & copper alloy products	(thousand tons)	68	67	135	68	69	137	-1	3	2
Sales volumes of copper cathodes (in-house product)	(thousand tons)	145	163	307	148	163	311	3	1	4
Sales volumes of copper cathodes (PTS)	(thousand tons)	143	139	281	138	139	276	-5	0	-5
Dividend from copper mine	(billion yen)	1.2	7.0	8.3	9.4	3.9	13.4	8.2	-3.1	5.1
Total demand for cement in Japan	(million tons)	—	—	39.00	—	—	38.50	—	—	-0.50
Cement sales volumes for MMC-Domestic	(million tons)	3.18	3.33	6.51	2.96	3.29	6.26	-0.21	-0.04	-0.25
Cement sales volumes for MMC-Exports	(million tons)	0.97	1.20	2.17	1.19	1.21	2.40	0.22	0.01	0.23
Cement sales volumes in the U.S.	(million tons)	0.82	0.73	1.55	0.76	0.73	1.50	-0.06	0.01	-0.05
Ready-mixed concrete sales volumes in the U.S.	(million cy)	4.33	3.93	8.26	4.04	3.84	7.88	-0.29	-0.09	-0.38
Sales volumes of aluminum sheet products	(thousand tons)	50	45	95	51	46	97	1	1	2
Sales volumes of aluminum extrusion products	(thousand tons)	7	7	13	7	7	14	0	0	0

\*Announced on May 14, 2021

■ Sensitivity		FY2022 2Q-4Q Forecast		■ Assumptions	
Exchange rates	Operating profit - 1 yen/\$ (yen depreciation)	0.6	billion yen	2Q	2nd Half
	Operating profit - 1 yen/€ (yen depreciation)	0.12	billion yen	110	110 yen/\$
Copper price (LME)	Operating profit ±10¢/lb	0.4	billion yen	130	130 yen/€
	Non-operating profit ±10¢/lb	1.1	billion yen	420	395 ¢/lb

I would like to explain the performance forecast for FY2022 on page 10.

First, let me start with statistics. The Company expects the sales volume of copper & copper alloy products to be the same level as the previous forecast.

The sales volume of the Company's in-house copper cathodes products is expected to increase slightly compared to the initial forecast, due to the fact that the resolution of the trouble with the oxygen supplier at the Onahama Smelter and Refining Co., Ltd., which I mentioned earlier, is expected to be slightly faster.

The figures of PT. Smelting's copper cathodes sales volume takes into account the fact that the current (for the first half of FY2022) decline in grade in copper is still ongoing.

Regarding the mine dividends, as I mentioned earlier, part of the dividend from the Los Pelambres copper mine, which was expected to be recorded in the second half of FY2022, has been brought forward to the first quarter. In addition, taking into account the assumed copper price in the second half of the fiscal year, the Company expects an increase for the full year.

Now, let's move on to the Cement Business. As for domestic cement demand, the Company expects shipments to remain sluggish in the first half of the fiscal year, as in the first quarter, and assumes that domestic cement sales volume will also decline.

As for the ready-mixed concrete in the U.S., the Company has been taking various measures to address the current driver shortage, but the Company expects this issue to continue through the third quarter of the FY2022.

Robertson's Ready Mix, Ltd. resumed new hiring in March 2021, and is taking various countermeasures to address the driver shortage. Like for the ways to recruit, we have increased salaries to some level. However, we still expect this issue to affect the Company's operations until the third quarter.

That is all for each of the major factors.

The assumptions for the exchange rate and the copper price are shown in the bottom of the slide.

## FY2022 Performance Forecast

### FY2022 Performance Forecast

[Unit: billion yen]

	FY2022 Forecast(Previous*)			FY2022 Forecast(This time)			Difference		
	1st Half	2nd Half	Full Year (a)	1st Half	2nd Half	Full Year (b)	1st Half	2nd Half	Full Year (b-a)
Net sales	810.0	810.0	1,620.0	880.0	880.0	1,760.0	70.0	70.0	140.0
Operating profit	13.0	22.0	35.0	26.0	21.0	47.0	13.0	-1.0	12.0
Net interest and dividend income	0.0	5.0	5.0	8.0	2.0	10.0	8.0	-3.0	5.0
Share of profit (loss) of entities accounted for using equity method	2.0	4.5	6.5	3.0	4.5	7.5	1.0	0.0	1.0
Other Non-operating profit / loss	-5.0	-4.5	-9.5	-3.0	-5.5	-8.5	2.0	-1.0	1.0
Ordinary profit	10.0	27.0	37.0	34.0	22.0	56.0	24.0	-5.0	19.0
Extraordinary income / loss	1.0	-1.5	-0.5	2.0	-1.5	0.5	1.0	0.0	1.0
Income taxes	-5.0	-7.0	-12.0	-9.0	-5.0	-14.0	-4.0	2.0	-2.0
Profit (loss) attributable to non-controlling interests	-1.0	-3.5	-4.5	-4.0	-1.5	-5.5	-3.0	2.0	-1.0
Profit (loss) attributable to owners of parent	5.0	15.0	20.0	23.0	14.0	37.0	18.0	-1.0	17.0
Exchange rate (JPY/USD)	110	110	110	110	110	110	-0	0	-0
Exchange rate (JPY/EUR)	130	130	130	131	130	131	1	0	1
Copper price (LME)(\$/lb)	345	345	345	430	395	413	85	50	68
Dividends per share (yen)	25	25	50	25	25	50	—	—	—

\*Announced on May 14, 2021

Please refer to page 11. Regarding the revised performance forecast, operating profit is forecasted to increase significantly compared to the previous forecast, especially in the first quarter, reflecting increased sales of products for the automobile and semiconductors related products and a hike in metal prices.

Although the Company has not made any changes to the amount of shareholder return this time, the Company is dedicated to doing its best to implement the shareholder return in line with the total amount of dividends that it initially expected during the FY2023 Strategy, in accordance with the shareholder return policy of FY2023 Strategy announced in May 2021.

## FY2022 Performance Forecast (Factor Analysis by Segment)

### FY2022 Performance Forecast (Factor Analysis by Segment)

[Unit: billion yen]

		FY2022 Forecast (Previous*)			FY2022 Forecast (This time)			Difference		
		1st Half	2nd Half	Full year (a)	1st Half	2nd Half	Full year (b)	1st Half	2nd Half	Full year (b-a)
Advanced Products	Net sales	210.4	211.5	421.9	238.4	243.5	481.9	28.0	32.0	60.0
	Operating profit	3.2	4.4	7.6	4.8	3.7	8.5	1.6	-0.7	0.9
	Ordinary profit	2.9	4.2	7.1	6.1	3.5	9.7	3.2	-0.7	2.6
	Net sales	155.0	152.9	307.9	181.2	185.9	367.1	26.2	33.0	59.2
	Operating profit	1.3	1.4	2.8	1.3	0.6	2.0	0.0	-0.8	-0.8
	Ordinary profit	0.7	0.9	1.6	1.9	0.2	2.2	1.2	-0.7	0.6
	Net sales	56.0	59.2	115.2	57.8	58.1	116.0	1.8	-1.1	0.8
	Operating profit	1.8	2.9	4.8	3.4	3.0	6.5	1.6	0.1	1.7
	Ordinary profit	2.2	3.2	5.4	4.2	3.2	7.4	2.0	0.0	2.0
Metalworking Solutions	Net sales	65.1	68.0	133.1	67.1	69.7	136.8	2.0	1.7	3.7
	Operating profit	2.9	5.9	8.8	5.0	7.7	12.8	2.1	1.8	4.0
	Ordinary profit	2.6	5.6	8.3	4.9	7.4	12.3	2.3	1.8	4.0
Metals	Net sales	413.2	412.7	825.9	475.0	462.0	937.0	61.8	49.3	111.1
	Operating profit	5.9	7.2	13.2	13.9	8.0	22.0	8.0	0.8	8.8
	Ordinary profit	6.6	16.1	22.8	24.3	14.1	38.5	17.7	-2.0	15.7
Cement	Net sales	104.9	103.5	208.4	104.0	105.3	209.3	-0.9	1.8	0.9
	Operating profit	4.5	5.4	9.9	3.1	2.7	5.9	-1.4	-2.7	-4.0
	Ordinary profit	4.5	4.8	9.4	2.0	1.5	3.5	-2.5	-3.3	-5.9
Environment & Energy	Net sales	8.1	8.5	16.7	8.3	9.4	17.7	0.2	0.9	1.0
	Operating profit	-0.3	0.4	0.0	-0.1	0.7	0.5	0.2	0.3	0.5
	Ordinary profit	0.0	0.9	0.9	0.4	1.2	1.7	0.4	0.3	0.8
Others	Net sales	119.6	122.9	242.6	122.1	125.9	248.1	2.5	3.0	5.5
	Operating profit	2.9	3.4	6.4	3.1	2.0	5.1	0.2	-1.4	-1.3
	Ordinary profit	2.3	2.4	4.8	2.5	0.9	3.5	0.2	-1.5	-1.3
Aluminum	Net sales	60.4	56.4	116.9	61.3	57.6	118.9	0.9	1.2	2.0
	Operating profit	2.9	1.1	4.1	2.8	0.0	2.9	-0.1	-1.1	-1.2
	Ordinary profit	2.3	0.2	2.6	2.2	-0.8	1.3	-0.1	-1.0	-1.3
Elimination, etc.	Net sales	-111.5	-117.4	-229.0	-135.1	-135.9	-271.1	-23.6	-18.5	-42.1
	Operating profit	-6.2	-4.9	-11.2	-4.1	-4.0	-8.1	2.1	0.9	3.1
	Ordinary profit	-9.1	-7.3	-16.5	-6.4	-6.9	-13.3	2.7	0.4	3.2
Total	Net sales	810.0	810.0	1,620.0	880.0	880.0	1,760.0	70.0	70.0	140.0
	Operating profit	13.0	22.0	35.0	26.0	21.0	47.0	13.0	-1.0	12.0
	Ordinary profit	10.0	27.0	37.0	34.0	22.0	56.0	24.0	-5.0	19.0

\*Announced on May 14, 2021

Page 12 illustrates the breakdown of factors by business segment which I would like to explain accordingly. Let me start with the Advanced Products. In the Copper & copper alloy business, the Company expects that Luvata will see a slight decrease in demand for automobile-related and medical-related products compared to the previous forecast.

On the other hand, in the Electronic materials & components business, sales of products for the automobile and semiconductors industries are expected to increase, especially in the first half of FY2022.

In the Metalworking Solutions Business, demand has been recovering rapidly due to the rebound in economic activities since the second half of FY2021, mainly in the automotive industry. On top of that, the Company has added orders for customers and distribution inventory buildup. Taking these factors into account, the Company expects operating profits to increase in both the first and the second half from the previous forecast.

Taking current market conditions and other factors into consideration, the Company has revised its metal price assumptions in the Metals Business. This means that the Company expects an increase in operating profits in the business due to the revised assumptions.

Now let's proceed to the Cement Business. As you might already know, in the Cement Business, the energy costs are increasing due to rising coal prices and other factors. In addition to this, the Company has been struggling with sales in its domestic business, which have been the factors to decrease operating profits. For the business in the U.S., the situation is as I have mentioned earlier. The Company expects the decrease in profit will be slight, assuming that the price increase of ready-mixed concrete, which the Company has been

working on since the second half of FY2021, will be gradually accepted in the market and that will somehow offset the impact of driver shortage.

In the Environment & Energy Business, as mentioned earlier, the Company expects an increase in profit due to increases in the processing volume of home appliance recycling and hike in the price of valuable resources.

In the Aluminum Business, the Company expects a decrease in operating profits, due to the price increase of aluminum ingots that puts considerable pressure on raw material costs for Universal Can Corporation.

That is everything I have for you today. Thank you very much for your time.

## **Q&A (Summary) : Factors contributing to the decrease in operating profit for Q2 FY2022 compared to Q1 FY2022.**

Q : The Company is expecting operating profit to decrease slightly for Q2 FY2022 compared to the Q1 FY2022. What are the main reasons for this decline by segment?

A : As you mentioned, the Company is forecasting a slight decrease in operating income. As a special note, operating profit in the Metalworking Solutions Business is expected to be 2.9 billion yen for Q2 vs 2.1 billion yen for Q1. The sales amount is also expected to remain flat, which the Company believes is in line with its perception of demand.

On the other hand, operating profit in the Electronic materials & components business in the Advanced Products Business is anticipated to decrease slightly. This is because the Yokkaichi Plant, which produces polycrystalline silicon, is scheduled to undergo regular repair in the second quarter, which is expected to have a negative impact.

In the Copper & copper alloy business, sales amount has increased due to higher copper prices. However, the yield ratio is low in some of the production areas, which will be affecting the operating profit. No special notes regarding the Metals Business, and the Cement Business continues to face difficult conditions.

## **Q&A (Summary) : Impact of palladium prices on the Metals Business**

Q : In the Metals Business, is the higher-than-normal profit level in the operating income baseline largely due to palladium prices? Also, what is your price assumption for palladium?

A : The Company estimates that the impact of palladium is approximately 2 billion yen a year. Regarding the price, the Company uses the current price for calculation.

## **Q&A (Summary) : Reasons for the decrease in operating profit for the second half compared to the first half of FY2022**

Q : Please list the major reasons for earnings decline from the first half to second half.

A : The Company expects the operating profit in the Advanced Products Business to be about the same level as the initial forecast, due to the impact of higher copper prices despite the difficulty it may face in sales itself.



Luvata in the Copper & copper alloy business, faces the risk of fluctuations in copper prices, so normally the company hedges its price when it receives orders. This time, the time lag occurred between the current rise in raw material prices and sales prices because profit of hedges over the period was recognized in the previous fiscal year, and an irregular loss is to be recorded in the second half.

The Electronic materials & components business is expected to remain largely unchanged. However, the Company sees that orders for semiconductor related products have been overshooting in the first half of the year, so we made the forecast for the second half to be a little bit conservative.

Regarding the demand for Metalworking Solutions Business, the Company is expecting it to grow steadily.

In the Metals Business, the negative impact is expected to increase for the second half vs the first half, due to the impact of a conservative estimate of PT. Smelting's recovery rate and other factors.

Other than that, the Company expects no major discrepancies.

### **Q&A (Summary) : Impact of copper prices of Luvata Corporation**

Q : How much of a negative impact does the Company expect copper prices of Luvata will have on operating profit this year?

A : The Company anticipates an impact of approximately 0.5 to 0.7 billion yen in the second half.

### **Q&A (Summary) : Reasons for decline in Luvata's sales volume**

Q : Please explain the reasons for the decline in Luvata's sales volume.

A : The sales are sluggish for welding electrodes, which account for a high percentage of sales to the so-called "US Big 3." Also, the Company interprets this mainly attributable to the delay in the sales of new products, as investment related to COVID-19 is prioritized in the medical field, and investment in MRI using superconducting wires has been postponed.

### **Q&A (Summary) : Reasons for weak earnings in the Copper & copper alloy business**

Q : It seems that the Copper & copper alloy business is sluggish. Please elaborate on the increase or decrease in earnings vs last year, or the revision made at this time, if you break it down into Luvata and the rest of the business.

A : As you mentioned, the Copper & copper alloy business is in a difficult situation. Although the orders themselves are not bad, parts of the stand-alone products are not fully produced at the production level, and the Company sees this as the main reason for the lack of growth in earnings. The Company is taking actions to eliminate production bottlenecks and to boost the production standard immediately. However, the revision made at this time is mainly due to the decrease in Luvata's earnings.

## **Q&A (Summary) : Reasons for strong results in the Electronic materials & components business before and after COVID-19**

Q : It seems that the Electronic materials & components business is doing much better even compared to the pre-COVID-19 period. Are precision silicon products boosting earnings?

A : Yes, precision silicon products are the driver. Also, earnings were boosted by semiconductor-related products, including fine material for assembly used for semiconductors.

## **Q&A (Summary) : Changes in the Company's view on recovery rate**

Q : The Company has revised the target of operating profit for the Metals Business upward. How have you changed your estimation of recovery rate? The estimation on the copper recovery rate seemed fairly conservative at the previous forecast. This time, did the Company make the change so it is closer to the actual value?

A : Basically, the answer is "yes." Please understand that the Company has set a reasonable recovery rate in a way that does not result in a negative impact.

## **Q&A (Summary) : Target operating profit for the Metals Business**

Q : The Company changed the target operating profit for the Metals Business to 22 billion yen from 13.2 billion yen of previous forecast at the beginning of the term. Please list the factors involved.

A : The main reason is that the price of palladium has risen by 2 billion yen. In addition, the rise in the price of sulfur contributed to the rise in the price of sulfuric acid. This means that operating profit has also increased due to the revised recovery rate and the overall increase in prices in the external environment.

## **Q&A (Summary) : Shortage of drivers for ready-mixed concrete in the United States**

Q : Please give us some background on the shortage of drivers for ready-mixed concrete in the United States, such as where the people are going after quitting and whether they are receiving employment adjustment subsidies and taking time off, etc. Also, is it really possible to raise the price under the current situation of highly competitive sales environment for ready-mixed concrete in the local area?

A : One of the reasons for the shortage of drivers for ready-mixed concrete is that the US employment adjustment subsidies are very high and the working population is slightly smaller. In addition, the supply and demand for drivers is becoming tight, and ready-mixed concrete companies are paying a considerable amount of money to acquire drivers. For example, some drivers working for Robertson Lady Mix have moved to other companies, and the Company is trying to stop this situation.

Please note that the supply and demand for ready-mixed concrete in Northern California and Southern California continues to be at a very good level, creating a situation in which prices can be raised.

## **Q&A (Summary) : The plan for the second half for the Aluminum Business**

Q : In the plan for the second half of FY2022 for the Aluminum Business, the Company changed operating profit to 0 billion yen from 1.1 billion yen. The plan has been revised to the level it generates virtually no profit. Is this due to the high costs of raw material at Universal Can Corporation?

A : This is due to the loss at Universal Can Corporation. For the full year, Mitsubishi Aluminum Co., Ltd. is expected to generate operating profits of approximately 1 billion yen. However, for Universal Can Corporation, the negative impact of bullion prices on operating profits will be about 1.7 billion yen to 1.9 billion yen compared to the initial forecast. In total, the Aluminum Business will have a loss of approximately 1 billion yen.

## **Q&A : Stagnation of the Cement Business in Japan**

Q : The Company expected the Cement Business to expand both in Japan and overseas at the previous briefing session on full-year financial results. I understand why the US market is deteriorating, but please explain why it is also deteriorating in Japan. Also, please elaborate on the supply and demand environment taking into account whether this situation will continue to take place in Japan or whether the Company will be able to catch up at some point.

A : Domestic demand was below 39 million tons last fiscal year, but the Company expected it to increase this year. However, at the moment, large projects have been pushed back, and domestic demand in the first quarter has remained very weak, so if you simply multiply the number by four, it will be less than 39 million tons. It is quite difficult to foresee the future, and the Company expects the demand to rise gradually, although the situation is unpredictable.

## **Q&A (Summary) : Exports in the Cement Business**

Q : In the Cement Business alone, it seems to have been a slight increase in exports in the first half of FY2022, but will it have no increase in the second half?

A : Basically, the Company is trying to make up for the decrease in domestic demand with exports. On the contrary, if domestic demand is in line with expectations, or is on an upward trend, the Company will not increase exports.

## **Q&A (Summary) : Deterioration of profit and loss in the Cement Business**

Q: For the Cement Business, especially in the second half of the year, the Company considerably revised downward its profits. I understand the underlying reasons for the driver shortage, but the explanation of “a favorable supply and demand environment where the Company can raise prices” does not seem to match “the direction of profits.” Next year, as a post-merger entity, the steps you take may change, but I would like you to elaborate on your view that profits and losses will deteriorate further in the second half of the year, for example, it is because you are considering that the impact of passing on higher domestic fuel costs will be severe, etc., or you are assuming a prolonged impact of driver shortages.

A : The Company see it is partly because of the decline in orders, but the rise in domestic coal prices will have significant impact. For some purchases whose arrangements were made ahead of time will not be costly, but the burden will increase in the second half of the fiscal year, which is another major reason for the decrease in profits.

In addition, it have seasonally high and low demand periods in the US, and the fact that the second half is the low demand period, is another factor in the steep decline.

## **Q&A (Summary) : Downward revision of operating profit in the Cement Business**

Q : In the forecast this time, the Company has revised the operating profit in the Cement Business downward by about 4 billion yen for the year from the previous forecast. Is it correct to assume that the impact of the increase in fuel costs is greater in Japan?

A : That is correct.

## **Q&A (Summary) : Re-expansion of COVID-19 in Southeast Asia**

Q: The re-expansion of COVID-19, especially in Southeast Asia, is a concern. How does the Company incorporate it in this revision of the earnings forecast?

A : Infections are also spreading in Japan, and is also spreading considerably in Southeast Asia. The revision of earnings forecasts made at this time does not include the impact of the current COVID-19 situation. The situation in Southeast Asia is unpredictable, but if customers' factory lines halt, temporary declines may result. My personal view is that even if production levels drop due to COVID-19, the demand itself will not disappear, so we can recover it after a certain period.

## **Final words by Mr. Takayanagi**

Takayanagi : Lastly, I would like to say a few words. Thank you for taking the time to join the meeting today, despite your busy schedules. I feel the Company is gradually getting up and running, and in many ways starting to move in the right direction, if not already moving in that direction.

Of course, governance is important, but it is also important to increase profits, and I believe they are the two wheels. The Company will also do its best to increase profits while moving forward.

By doing so, the Company hopes to make significant contributions to its shareholders and stakeholders. It is meaningful for the Company to receive various opinions and questions like today, and I would like to ask for your continued support and cooperation. Thank you for listening.